

Message Text

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ACTION EUR-12

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FM AMCONSUL TORONTO

TO SECSTATE WASHDC 6807

INFO AMEMBASSY OTTAWA

AMCONSUL CALGARY

ALL OTHER CONSULATES GENERAL IN CANADA (BY POUCH)

UNCLAS TORONTO 0102

E.O. 11652 N/A

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SUBJECT: TORONTO SAR PROMOTES ALBERTA STUDY QUESTIONING
BENEFIT OF FOREIGN INVESTMENTS

1. THE JANUARY 18 TORONTO STAR GAVE VERY PROMINENT ATTENTION
TO A 93 PAGE STUDY MADE BY UNIVERSITY OF ALBERTA
ECONOMIST THOMAS POWRIE ENTITLED "THE CONTRIBUTION OF FOREIGN
CAPITAL TO CANADIAN ECONOMIC GROWTH." POWRIE'S STUDY, MADE FOR
EDMONTON PUBLISHER MEL HURTIG, A WELL-KNOWN ECONOMIC NATIONALIST,
CONCLUDES THAT FOREIGN INVESTMENT IN CANADA HAS CONTRIBUTED
ALMOST NOTHING TO THE STANDARD OF LIVING OF CANADIANS AND
THAT IF CANADA HAD STOPPED ALL FOREIGN INVESTMENTS AS FAR BACK AS
1950 "OUR NATIONAL INCOME TODAY WOULD BE, AT WORSE, LOWER BY
SIX MONTHS GROWTH"

2. POWRIE WRITES THERE ARE TWO REASONS WHY FOREIGN CAPITAL
MAKES SUCH A SMALL CONTRIBUTION TO THE GROWTH OF THE
CANADIAN ECONOMY. FIRST THAT FOREIGN LENDERS-INVESTORS OR
BANKERS-MUST EARN A RETURN ON THEIR INVESTMENT AND
THE OUTFLOW OF PROFITS, DEIVIDENDS AND INTEREST HAS TO
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BE SUBTRACTED FROM CANADA'S OUTPUT. SECONDLY,
ACCORDING TO POWRIE, PEOPLE ADJUST TO THE AMOUNT OF
CAPITAL AVAILABLE IN FINDING CAPITAL INTENSIVE OR
LABOR INTENSIVE WAYS OF PRODUCING AND EARNING.
REPORTEDLY A NEW U.S. STUDY BY STATEGIC PLANNING
INSTITUTE OF CAMBRIDGE MASSACHUSETTS, ALSO QUESTIONS
THE HEAVY EMPHASIS BY BUSINESS ON CAPITAL INTENSIVE

PROJECTS.

3. IN AN INTRODUCTION TO POWRIE'S STUDY PUBLISHER HURTIG CALLS IT MOST COMPREHENSIVE EVER UNDERTAKEN IN CANADA WITH A STARTLING MAJOR CONCLUSION. "WE HAVE BEEN SELLING OFF OUR COUNTRY TO NON-CANADIANS FOR LITTLE OR NO BENEFIT." HURTIG CONTINUES "THE POWRIE STUDY..... STRONGLY SUGGESTS THAT THE ENORMOUS FOREIGN OWNERSHIP IN CANADA IS HURTING OUR STANDARD OF LIVING, NOT HELPING-COUSING UNEMPLOYMENT INSTEAD OF CREATING JOBS, FUELING INFLATION..... AND BADLY DAMAGING THE COUNTRY'S ECONOMY.

4. THE STAR FEATURED STAFF-WRITTEN NEWS ITEM ON THE FRONT PAGE HEADLINED "STUDY SAYS WE BENEFIT LITTLE FROM FOREIGN INVESTMENT," AND CARRIED A FEATURE ARTICLE WRITTEN BY DAVID CRANE, THE STAR'S EDITORIAL PAGE EDITOR, HEADLINED "DON'T NEED FOREIGN OWNERS". THE LEAD EDITORIAL "ROLE OF FOREIGN CAPITAL IS DOUBTFUL" CAME TO TRADITIONAL STAR CONCLUSION: "POWRIE'S STUDY SHOWS CANADIANS DO HAVE A CHOICE. THE TIME IS RIGHT TO SET ABOUT REGAINING CONTROL OF OUR ECONOMY AND OUR DESTINY AS A COUNTRY." THE STAR IN ITS EDITORIAL SUGGESTED THAT THE FIRST MINISTERS' MEETING IN OTTAWA NEXT MONTH, IN PLOTTING A FUTURE ECONOMIC STRATEGY FOR CANADA, SHOULD HAVE POWRIE'S REPORT ON THE AGENDA.

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5. COMMENT-WHILE THE TORONTO STAR CANNOT BE ACCUSED OF UNIMAGINATIVE APPROACHES TO THE FOREIGN OWNERSHIP QUESTION IN THE PAST, JANUARY 18 MARKED THE DAY THE PAPER GAVE IN TO THE CURRENT INTEREST IN SCIENCE FICTION AND LEFT THE BOUNDS OF THE EARTH. WHAT IS REALLY WORRISOME IS THAT SOMEONE AT THE STAR MUST BELIEVE THAT THIS CONVULUTED PATH TO THE DESIRED CONCLUSION DISPLAYS ELEMENTS OF RATIONALITY.
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